

July 28, 1999

*Congressional Budget Funds Medicare and Social Security*

## **Medi-Scare, Gore Style**

Obviously the Vice President learned at the knee of the master — when you tell an untruth, tell a whopper. And what better way to do it than to reprise the Clinton administration's Medi-scare campaign of the last six and a half years? So yesterday the Vice President combined demagoguery with dishonesty by labeling the Republican tax package "a risky tax scheme that would not save one penny for Medicare or Social Security." President Clinton must be proud indeed.

The Vice President's assertion simply is refuted by the facts. The Republican tax cut and the budget of which it is a part set aside more than enough money for both Social Security's *and* Medicare's surplus over the next ten years. Just ask the Congressional Budget Office, which recently released the details of its latest baseline. This CBO analysis makes clear that the Congressional budget has enough surplus not only to protect Social Security and Medicare, but to fund the largest middle class tax cut since Ronald Reagan was president.

### **The Congressional Budget's Numbers**

According to CBO's nonpartisan analysis, the federal budget will run a total surplus of \$2.895 trillion (if discretionary spending increases at the rate of inflation after the discretionary spending caps expire after 2002) over the next ten years. This breaks down to a \$1.899-trillion Social Security surplus and a \$996-billion surplus in the non-Social Security section of the budget.

According to CBO, the Congressional budget plan would set aside every cent of the Social Security surplus in every year — all \$1.899 trillion of it. It would also set aside a reserve fund of \$277 billion that could be used for additional debt reduction, emergencies, or Medicare. Finally, it would contain a \$792-billion tax cut. Those are CBO's numbers — not Republican numbers or Democrat numbers but those of Congress' official estimator — the one Clinton himself promised to use when he first came to town.

## **Social Security and Medicare Protected**

As already stated, Social Security is fully protected by Congress' budget as shown by CBO. But what about Medicare? Same story. According to CBO's latest estimate of the Medicare Part A (the Hospital Insurance or HI) trust fund, Medicare will run a \$129.7-billion surplus over the next ten years.

Obviously, the \$277-billion reserve fund in Congress' budget is larger — roughly \$150 billion larger — than the projected Medicare surplus.

## **The Clinton Medicare Gimmick**

If anyone should be embarrassed by their budget proposals and estimates, it should be the Clinton/Gore Administration. Remember that this is the same Clinton/Gore Administration that sabotaged the bipartisan Medicare Commission by demanding an expensive Medicare prescription drug benefit for a program that is already facing fiscal calamity in the near-term.

The rest of their Medicare proposal is no better. The Clinton/Gore proposal is no more than a shell game shuffling paper IOUs to the Medicare trust fund. Since the Medicare trust fund holds only government securities and operates on a pay-as-you-go basis, the claimed transfer of general fund revenues to it does nothing to help pay future shortfalls when payroll tax receipts are insufficient to cover current operating expenses. When that day comes, Medicare's government securities will have to be redeemed by the government to pay benefits — something that will require the government to borrow, cut spending, or increase taxes. In short, the government will face the exact same predicament when Medicare outlays exceed its payroll receipts as it would if there were no Medicare trust fund balance whatsoever!

As Comptroller General David Walker stated in his July 22, 1999, testimony before the Senate Finance Committee: "Increasing the HI Trust Fund balance alone, without underlying program reform, does nothing to make the Medicare program more sustainable . . ."

Current dollars cannot pay future Medicare bills. As meaningless as the paper transfer is it does pay one immediate dividend — not to Medicare but the Clinton administration. Since Medicare is part of the federal budget (unlike Social Security), Clinton's claimed transfer simply stays on the federal books. Thus, infinite transfers would show *no* effect on Clinton's books: all of the promise at none of the cost.

Summed up simply, the Clinton/Gore claimed Medicare transfer has no real effect either on Medicare or on his own budget's books. It is a gimmick.

## **Clinton's Medicare Prescription Drug Deficit**

Despite grandiose claims, once again, CBO reveals the hollowness of the Clinton promise. Clinton claimed to produce a universal Medicare prescription drug benefit — which in its details presents myriad problems and inadequacies — for a mere \$118.8 billion.

It is no wonder that CBO found in its analysis that President Clinton had underestimated the cost by over 40 percent. Instead of costing just \$118.8 billion, CBO estimated the President's prescription drug benefit would cost \$168.2 billion over ten years.

## **Numbers and the Truth**

So what do all the numbers, estimates, and proposals amount to? Quite simply that any way you count it, President Clinton's own Medicare proposals and estimates have not added up any better than do his charges that Republicans are short-changing Medicare. On the contrary, it is Congress' budget numbers that do add up to Medicare security:

- According to CBO, Congress' budget has set aside every cent in every year of the Social Security surplus — all \$1.9 trillion of it.
- According to CBO, Congress' budget can still set aside a reserve fund of \$277 billion at the same time it cuts taxes by \$800 billion.

What does these two points mean?

- The \$277-billion Congressional budget reserve fund is more than enough to cover the \$130-billion Medicare surplus over the next ten years — in fact, twice as much.
- Even when the \$130-billion Medicare surplus is subtracted from the \$277-billion reserve fund, the roughly \$150 billion remaining would accommodate the Clinton/Gore \$168.2-billion Medicare prescription drug benefit (when the Clinton offsets are included, the net cost falls to \$111.1 billion).

## **Whom Should Medicare Beneficiaries Trust?**

On one hand, Congress has a budget that has been independently scored by a nonpartisan estimator that shows Congress can keep all its promises — to Social Security, to Medicare, and to the over-taxed income taxpayer.

On the other hand, Clinton has sabotaged the Bipartisan Medicare Reform Commission for a prescription drug benefit that he had not yet designed; when he did produce it, he underestimated the cost by over 40 percent; his claimed Medicare reform plan is nothing more than a shell game shuffling IOUs to Medicare; and the IOUs cost him nothing on his budget now and do nothing for Medicare later.

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